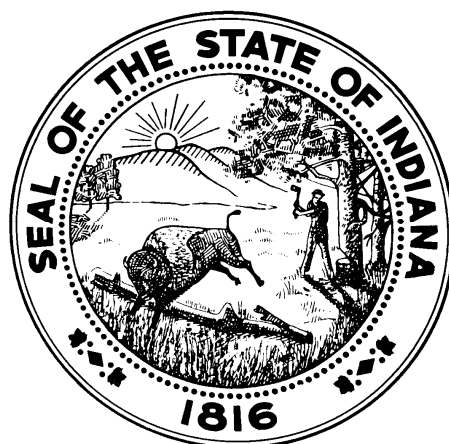


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CASTON SCHOOL CORPORATION
FULTON COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
03/05/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cozetta Grable	07-01-06 to 06-30-09
Superintendent of Schools	Robert K. Huffman Iran Floyd Danny L. Foster	07-01-06 to 12-31-07 01-01-08 to 08-06-08 08-07-08 to 06-30-09
President of the School Board	Bruce Cress	07-01-06 to 06-30-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

We have examined the financial information presented herein of Caston School Corporation (School Corporation), for the period of July 1, 2006 to June 30, 2008. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 14, 2009

CASTON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 3,277,548	\$ -	\$ 35,752	\$ (3,241,796)
Support services	3,169,994	258,860	140,293	(2,770,841)
Community services	82,185	-	-	(82,185)
Nonprogrammed charges	2,315,871	-	-	(2,315,871)
Debt service	256,940	-	-	(256,940)
Total governmental activities	<u>\$ 9,102,538</u>	<u>\$ 258,860</u>	<u>\$ 176,045</u>	<u>(8,667,633)</u>
General receipts:				
Property taxes				2,085,618
Other local sources				520,639
State aid				3,017,948
Grants and contributions not restricted to specific programs				114,091
Sale of property, adjustments, and refunds				1,912,148
Investment earnings				<u>191,885</u>
Total general receipts				<u>7,842,329</u>
Change in net assets				(825,304)
Net assets - beginning				<u>5,086,421</u>
Net assets - ending				<u>\$ 4,261,117</u>
<u>Assets</u>				
Cash and investments				\$ 4,230,364
Restricted assets:				
Cash and investments				<u>30,753</u>
Total assets				<u>\$ 4,261,117</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 30,753
Unrestricted				<u>4,230,364</u>
Total net assets				<u>\$ 4,261,117</u>

The notes to the financial statements are an integral part of this statement.

CASTON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 3,278,114	\$ -	\$ 63,561	\$ (3,214,553)
Support services	3,332,157	244,247	163,380	(2,924,530)
Community services	88,551	-	-	(88,551)
Nonprogrammed charges	397,857	-	-	(397,857)
Debt service	275,140	-	-	(275,140)
Total governmental activities	<u>\$ 7,371,819</u>	<u>\$ 244,247</u>	<u>\$ 226,941</u>	<u>(6,900,631)</u>
General receipts:				
Property taxes				3,313,344
Other local sources				522,298
State aid				2,888,338
Grants and contributions not restricted to specific programs				112,649
Sale of property, adjustments, and refunds				45
Investment earnings				<u>153,480</u>
Total general receipts				<u>6,990,154</u>
Change in net assets				89,523
Net assets - beginning				<u>4,261,117</u>
Net assets - ending				<u>\$ 4,350,640</u>
<u>Assets</u>				
Cash and investments				\$ 4,332,173
Restricted assets:				
Cash and investments				<u>18,467</u>
Total assets				<u>\$ 4,350,640</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 18,467
Unrestricted				<u>4,332,173</u>
Total net assets				<u>\$ 4,350,640</u>

The notes to the financial statements are an integral part of this statement.

CASTON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,603,304	\$ 410,298	\$ 6,898	\$ 140,210	\$ 509,970	\$ 83,734	\$ 302,416	\$ 3,056,830
Intermediate sources	173	-	-	-	-	-	-	173
State sources	3,042,095	-	-	-	-	-	52,976	3,095,071
Federal sources	-	-	-	-	-	-	213,012	213,012
Sale of property, adjustments and refunds	1,000,000	120,347	350,000	130,000	201,801	80,000	30,000	1,912,148
Total receipts	5,645,572	530,645	356,898	270,210	711,771	163,734	598,404	8,277,234
Disbursements:								
Current:								
Instruction	3,153,339	-	36,332	-	-	-	87,877	3,277,548
Support services	1,282,530	498,011	-	-	837,617	127,440	424,396	3,169,994
Community services	81,687	-	-	-	-	-	498	82,185
Nonprogrammed charges	1,388,115	120,000	350,000	130,000	200,000	80,000	47,756	2,315,871
Debt services	-	-	-	256,940	-	-	-	256,940
Total disbursements	5,905,671	618,011	386,332	386,940	1,037,617	207,440	560,527	9,102,538
Excess (deficiency) of receipts over disbursements	(260,099)	(87,366)	(29,434)	(116,730)	(325,846)	(43,706)	37,877	(825,304)
Other financing sources (uses):								
Transfers in	40,503	10,441	76,000	5,348	14,233	2,445	11,340	160,310
Transfers out	(76,000)	-	-	(11,234)	-	-	(73,076)	(160,310)
Total other financing sources (uses)	(35,497)	10,441	76,000	(5,886)	14,233	2,445	(61,736)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(295,596)	(76,925)	46,566	(122,616)	(311,613)	(41,261)	(23,859)	(825,304)
Cash and investments - beginning	2,956,950	572,772	384,284	153,369	717,512	152,626	148,908	5,086,421
Cash and investments - ending	\$ 2,661,354	\$ 495,847	\$ 430,850	\$ 30,753	\$ 405,899	\$ 111,365	\$ 125,049	\$ 4,261,117
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 2,661,354	\$ 495,847	\$ 430,850	\$ -	\$ 405,899	\$ 111,365	\$ 125,049	\$ 4,230,364
Restricted assets:								
Cash and investments	-	-	-	30,753	-	-	-	30,753
Total cash and investment assets - ending	\$ 2,661,354	\$ 495,847	\$ 430,850	\$ 30,753	\$ 405,899	\$ 111,365	\$ 125,049	\$ 4,261,117
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 30,753	\$ -	\$ -	\$ -	\$ 30,753
Unrestricted	2,661,354	495,847	430,850	-	405,899	111,365	125,049	4,230,364
Total cash and investment fund balance - ending	\$ 2,661,354	\$ 495,847	\$ 430,850	\$ 30,753	\$ 405,899	\$ 111,365	\$ 125,049	\$ 4,261,117

The notes to the financial statements are an integral part of this statement.

CASTON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,254,931	\$ 616,606	\$ -	\$ 276,814	\$ 697,835	\$ 94,352	\$ 284,016	\$ 4,224,554
Intermediate sources	8,815	-	-	-	-	-	-	8,815
State sources	2,923,015	-	-	-	-	-	73,470	2,996,485
Federal sources	-	-	-	-	-	-	231,443	231,443
Sale of property, adjustments and refunds	45	-	-	-	-	-	-	45
Total receipts	<u>5,186,806</u>	<u>616,606</u>	<u>-</u>	<u>276,814</u>	<u>697,835</u>	<u>94,352</u>	<u>588,929</u>	<u>7,461,342</u>
Disbursements:								
Current:								
Instruction	3,132,869	-	33,877	-	-	-	111,368	3,278,114
Support services	1,503,070	552,839	-	-	691,365	120,780	464,103	3,332,157
Community services	88,551	-	-	-	-	-	-	88,551
Nonprogrammed charges	383,934	-	-	-	-	-	13,923	397,857
Debt services	-	-	-	275,140	-	-	-	275,140
Total disbursements	<u>5,108,424</u>	<u>552,839</u>	<u>33,877</u>	<u>275,140</u>	<u>691,365</u>	<u>120,780</u>	<u>589,394</u>	<u>7,371,819</u>
Excess (deficiency) of receipts over disbursements	<u>78,382</u>	<u>63,767</u>	<u>(33,877)</u>	<u>1,674</u>	<u>6,470</u>	<u>(26,428)</u>	<u>(465)</u>	<u>89,523</u>
Other financing sources (uses):								
Transfers in	-	-	53,000	-	-	-	13,960	66,960
Transfers out	(53,000)	-	-	(13,960)	-	-	-	(66,960)
Total other financing sources (uses)	<u>(53,000)</u>	<u>-</u>	<u>53,000</u>	<u>(13,960)</u>	<u>-</u>	<u>-</u>	<u>13,960</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>25,382</u>	<u>63,767</u>	<u>19,123</u>	<u>(12,286)</u>	<u>6,470</u>	<u>(26,428)</u>	<u>13,495</u>	<u>89,523</u>
Cash and investments - beginning	<u>2,661,354</u>	<u>495,847</u>	<u>430,850</u>	<u>30,753</u>	<u>405,899</u>	<u>111,365</u>	<u>125,049</u>	<u>4,261,117</u>
Cash and investments - ending	<u>\$ 2,686,736</u>	<u>\$ 559,614</u>	<u>\$ 449,973</u>	<u>\$ 18,467</u>	<u>\$ 412,369</u>	<u>\$ 84,937</u>	<u>\$ 138,544</u>	<u>\$ 4,350,640</u>
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 2,686,736	\$ 559,614	\$ 449,973	\$ -	\$ 412,369	\$ 84,937	\$ 138,544	\$ 4,332,173
Restricted assets:								
Cash and investments	-	-	-	18,467	-	-	-	18,467
Total cash and investment assets - ending	<u>\$ 2,686,736</u>	<u>\$ 559,614</u>	<u>\$ 449,973</u>	<u>\$ 18,467</u>	<u>\$ 412,369</u>	<u>\$ 84,937</u>	<u>\$ 138,544</u>	<u>\$ 4,350,640</u>
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 18,467	\$ -	\$ -	\$ -	\$ 18,467
Unrestricted	2,686,736	559,614	449,973	-	412,369	84,937	138,544	4,332,173
Total cash and investment fund balance - ending	<u>\$ 2,686,736</u>	<u>\$ 559,614</u>	<u>\$ 449,973</u>	<u>\$ 18,467</u>	<u>\$ 412,369</u>	<u>\$ 84,937</u>	<u>\$ 138,544</u>	<u>\$ 4,350,640</u>

The notes to the financial statements are an integral part of this statement.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Caston School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for unused and unencumbered funds transferred under the authority of Indiana Code 36-1-8-5. Disbursements from this fund are subject to the same appropriation process as other funds that receive tax money.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Rainy Day Fund	\$ 76,000	\$ 53,000
Debt Service Fund	Other governmental funds	11,234	13,960
Other governmental funds	General Fund	40,503	-
	Debt Service Fund	5,348	-
	Capital Projects Fund	14,233	-
	Transportation Fund	10,441	-
	School Bus Replacement Fund	2,445	-
	Other governmental funds	106	-
Totals		<u>\$ 160,310</u>	<u>\$ 66,960</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Caston Educational Building Corporation (the lessor). The lessor was organized pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2007 and 2008, totaled \$185,210 and \$93,525, respectively.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	60,711
Interest on net pension obligation	(2,243)
Adjustment to annual required contribution	<u>2,556</u>
Annual pension cost	61,024
Contributions made	<u>47,124</u>
Increase (decrease) in net pension obligation	13,900
Net pension obligation, beginning of year	<u>(30,933)</u>
Net pension obligation, end of year	<u><u>\$ (17,033)</u></u>
Contribution rates:	
School Corporation	9.0%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 47,322	105%	\$ (30,448)
	06-30-06	44,175	101%	(30,933)
	06-30-07	61,024	77%	(17,033)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$166,904, \$156,456, and \$141,990, respectively. The School Corporation actually contributed 7%, 7%, and 7.25% of the required contribution for each of the fiscal years, respectively.

CASTON SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 811,780	\$ 935,435	\$ (123,655)	87%	\$ 659,699	(19%)
07-01-06	779,514	1,036,130	(256,616)	75%	674,036	(38%)
07-01-07	837,888	1,064,953	(227,065)	79%	703,023	(32%)

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess Fund	SAFE School Haven	Gifted and Talented
Receipts:						
Local sources	\$ 4,344	\$ 232,424	\$ 65,648	\$ -	\$ -	\$ -
State sources	21,608	4,044	15,720	-	-	11,584
Federal sources	-	120,529	-	-	-	-
Sale of property, adjustments and refunds	30,000	-	-	-	-	-
Total receipts	55,952	356,997	81,368	-	-	11,584
Disbursements:						
Current:						
Instruction	-	-	-	-	-	11,584
Support services	-	338,026	69,887	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	47,756	-	-	-	-	-
Total disbursements	47,756	338,026	69,887	-	-	11,584
Excess (deficiency) of receipts over disbursements	8,196	18,971	11,481	-	-	-
Other financing sources (uses):						
Transfers in	106	-	11,234	-	-	-
Transfers out	(3,256)	-	-	(69,820)	-	-
Total other financing sources (uses)	(3,150)	-	11,234	(69,820)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,046	18,971	22,715	(69,820)	-	-
Cash and investments - beginning	39,745	14,768	12,441	69,820	1,640	-
Cash and investments - ending	\$ 44,791	\$ 33,739	\$ 35,156	\$ -	\$ 1,640	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 44,791	\$ 33,739	\$ 35,156	\$ -	\$ 1,640	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 44,791	\$ 33,739	\$ 35,156	\$ -	\$ 1,640	\$ -

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Non-English Speaking Grant Fund	School Technology Fund	Title I FY-07	Title I FY-06	Title I School Improvement
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	20	-	-	-	-
Federal sources	-	-	45,582	-	9,960
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	20	-	45,582	-	9,960
Disbursements:					
Current:					
Instruction	20	-	41,168	603	6,540
Support services	-	6,489	3,958	-	-
Community services	-	-	456	42	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	20	6,489	45,582	645	6,540
Excess (deficiency) of receipts over disbursements	-	(6,489)	-	(645)	3,420
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(6,489)	-	(645)	3,420
Cash and investments - beginning	-	6,489	-	645	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420</u>

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Innovative Education Program Strategies	Drug Free Schools	Class Size Reduction	Improving Teacher Quality	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 302,416
State sources	-	-	-	-	52,976
Federal sources	2,686	5,303	28,952	-	213,012
Sale of property, adjustments and refunds	-	-	-	-	30,000
Total receipts	2,686	5,303	28,952	-	598,404
Disbursements:					
Current:					
Instruction	-	-	26,892	1,070	87,877
Support services	-	5,736	-	300	424,396
Community services	-	-	-	-	498
Nonprogrammed charges	-	-	-	-	47,756
Total disbursements	-	5,736	26,892	1,370	560,527
Excess (deficiency) of receipts over disbursements	2,686	(433)	2,060	(1,370)	37,877
Other financing sources (uses):					
Transfers in	-	-	-	-	11,340
Transfers out	-	-	-	-	(73,076)
Total other financing sources (uses)	-	-	-	-	(61,736)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,686	(433)	2,060	(1,370)	(23,859)
Cash and investments - beginning	-	947	-	2,413	148,908
Cash and investments - ending	<u>\$ 2,686</u>	<u>\$ 514</u>	<u>\$ 2,060</u>	<u>\$ 1,043</u>	<u>\$ 125,049</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 2,686</u>	<u>\$ 514</u>	<u>\$ 2,060</u>	<u>\$ 1,043</u>	<u>\$ 125,049</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 2,686</u>	<u>\$ 514</u>	<u>\$ 2,060</u>	<u>\$ 1,043</u>	<u>\$ 125,049</u>

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	SAFE School Haven	Gifted and Talented	Non-English Speaking Grant Fund	School Technology Fund
Receipts:							
Local sources	\$ 5,191	\$ 218,030	\$ 55,128	\$ -	\$ -	\$ -	\$ 5,667
State sources	11,938	4,159	26,671	1,818	28,722	162	-
Federal sources	-	132,550	-	-	-	-	-
Total receipts	17,129	354,739	81,799	1,818	28,722	162	5,667
Disbursements:							
Current:							
Instruction	-	-	-	-	28,722	-	-
Support services	-	351,214	87,576	1,818	-	-	-
Nonprogrammed charges	13,923	-	-	-	-	-	-
Total disbursements	13,923	351,214	87,576	1,818	28,722	-	-
Excess (deficiency) of receipts over disbursements	3,206	3,525	(5,777)	-	-	162	5,667
Other financing sources:							
Transfers in	-	-	13,960	-	-	-	-
Total other financing sources	-	-	13,960	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,206	3,525	8,183	-	-	162	5,667
Cash and investments - beginning	44,791	33,739	35,156	1,640	-	-	-
Cash and investments - ending	<u>\$ 47,997</u>	<u>\$ 37,264</u>	<u>\$ 43,339</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 5,667</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 47,997</u>	<u>\$ 37,264</u>	<u>\$ 43,339</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 5,667</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 47,997</u>	<u>\$ 37,264</u>	<u>\$ 43,339</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 5,667</u>

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I FY-08	Title I School Improvement	Innovative Education Program Strategies	Drug Free Schools	Class Size Reduction	Improving Teacher Quality	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,016
State sources	-	-	-	-	-	-	73,470
Federal sources	<u>38,752</u>	<u>28,478</u>	<u>1,356</u>	<u>2,418</u>	<u>27,889</u>	<u>-</u>	<u>231,443</u>
Total receipts	<u>38,752</u>	<u>28,478</u>	<u>1,356</u>	<u>2,418</u>	<u>27,889</u>	<u>-</u>	<u>588,929</u>
Disbursements:							
Current:							
Instruction	35,552	12,060	4,042	-	29,949	1,043	111,368
Support services	3,200	17,900	-	2,395	-	-	464,103
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,923</u>
Total disbursements	<u>38,752</u>	<u>29,960</u>	<u>4,042</u>	<u>2,395</u>	<u>29,949</u>	<u>1,043</u>	<u>589,394</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(1,482)</u>	<u>(2,686)</u>	<u>23</u>	<u>(2,060)</u>	<u>(1,043)</u>	<u>(465)</u>
Other financing sources:							
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,960</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,960</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(1,482)</u>	<u>(2,686)</u>	<u>23</u>	<u>(2,060)</u>	<u>(1,043)</u>	<u>13,495</u>
Cash and investments - beginning	<u>-</u>	<u>3,420</u>	<u>2,686</u>	<u>514</u>	<u>2,060</u>	<u>1,043</u>	<u>125,049</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,544</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ -</u>	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,544</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ -</u>	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,544</u>

CASTON SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For Year Ended June 30, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 20,000
Buildings	7,210,633
Improvements other than buildings	6,036,537
Machinery and equipment	3,004,089
Construction in progress	<u>5,494</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 16,276,753</u></u>

CASTON SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Building Lease	\$ 1,135,000	\$ 277,034
Notes and loans payable	<u>2,114,704</u>	<u>348,333</u>
Total governmental activities debt	<u>\$ 3,249,704</u>	<u>\$ 625,367</u>

CASTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2009, with Cozetta Grable, Treasurer; Debra Smith, Administrative Associate of Finance; and Bruce Cress, President of the School Board. Our examination disclosed no material items that warrant comment at this time.